

provisions of paragraph 10 of the Borrower's covenants hereinafter set forth shall apply.

Borrower covenants and agrees as follows:

**1. Payment of Principal and Interest.** Borrower shall promptly pay when due the principal of and interest on the indebtedness evidenced by the Note, prepayment and late charges as provided in the Note, and the principal of and interest on any future advances secured by this Deed of Trust.

**2. Fund for Taxes and Insurance.** Borrower shall pay to Lender on the day monthly installments of principal and interest are payable under the Note, until the Note is paid in full, a sum (herein "Funds") equal to one-twelfth of the yearly taxes, assessments and ground rents, if any, which may be levied on the Property, plus one-twelfth of yearly premium installments for fire and other hazard insurance covering the Property, plus one-twelfth of any yearly premiums for mortgage insurance, all as estimated initially and from time to time by Lender, to be applied by Lender to pay said taxes, assessments, insurance premiums and ground rents. No earnings or interest shall be payable to Borrower on the Funds. Lender shall have the right to hold the Funds in any manner Lender selects and may commingle the Funds with other monies held by Lender.

If the amount of the Funds held by Lender shall exceed at any time the amount deemed necessary by Lender to provide for the payment of taxes, assessments, insurance premiums and ground rents, as they fall due, such excess shall be credited to Borrower in such manner as Lender may determine. If the amount of the funds held by Lender shall not be sufficient to pay taxes, assessments, insurance premiums and ground rents as they fall due, Borrower shall pay to Lender any amount necessary to make up the deficiency no later than thirty days prior to the date when the next such payment shall be due.

Upon payment in full of the sums secured by this Deed of Trust, Lender shall credit to Borrower any Funds held by Lender.

If under paragraph 10 hereof the Property is sold or the Property is otherwise acquired by Lender, Lender shall apply no later than the date of sale of the Property or its acquisition by Lender, any funds held by Lender at the time of application as a credit against the sums secured by this Deed of Trust.

**3. Application of Payments.** All payments received by Lender under the Note and paragraphs 1 and 2 hereof shall be applied by Lender first to interest payable on the Note and on future advances, if any, second to amounts payable to Lender by Borrower under paragraph 2 hereof, and last to the principal of the Note and future advances, if any.

**4. Governmental Charges; Liens.** Borrower shall pay all taxes, assessments and other governmental charges, fines and impositions attributable to the Property and ground rents, if any, in accordance with paragraph 2 hereof or in such other manner as Lender may designate. Borrower shall promptly discharge any lien which has priority over this Deed of Trust; provided, that Borrower shall not be required to discharge any such lien so long as Borrower shall, in good faith, contest the same by appropriate legal proceedings which shall operate to prevent the enforcement of the lien or forfeiture of the Property or any part thereof.

**5. Hazard Insurance.** Borrower shall keep the improvements now existing or hereafter erected on the Property insured by insurance carriers satisfactory to Lender against loss by fire and such other hazards, casualties and contingencies as Lender shall designate in such amounts and for such periods, as Lender shall require. Borrower shall pay all premiums on insurance policies in accordance with paragraph 2 hereof or in such other manner as Lender may designate. All insurance policies and renewals thereof shall be in form acceptable to Lender and shall include a mortgage clause in favor of and in form acceptable to Lender. Lender shall have the right to hold the policies and renewals thereof. In the event of loss, Borrower shall give immediate written notice to Lender, and Lender may make proof of loss if not made promptly by Borrower. Each insurance carrier is hereby authorized and directed to make payment for such loss directly to Lender instead of to Borrower and Lender jointly. Lender is authorized and empowered to adjust and compromise any loss under insurance policies, to collect and receive insurance proceeds, and to apply the insurance proceeds or any part thereof at Lender's option to the restoration or repair of the Property damaged or to the reduction of the sums secured by this Deed of Trust in the order of application set forth in paragraph 3 hereof. If under paragraph 10 hereof the Property is sold or the Property is acquired by Lender, all right, title, and interest of Borrower in and to any insurance policies and in and to the proceeds thereof resulting from damage to the Property prior to the sale or acquisition shall pass to purchaser or Lender as the case may be.

**6. Preservation and Maintenance of Property.** Borrower (i) shall not permit or suffer waste, impairment, or deterioration of the Property, (ii) shall not remove, demolish or alter any improvement now existing or hereafter erected upon the Property unless Lender shall consent thereto in writing, (iii) shall keep the Property in good repair and (iv) shall comply with all laws, ordinances, regulations and requirements of any governmental body applicable to the Property.

**7. Protection of Lender's Security.** If Borrower fails to perform the covenants and agreements contained in paragraphs 2, 4, 5 and 6 hereof, or if any action or proceeding is commenced which affects the Property or title therein, or the interest of Lender therein, including, but not limited to, eminent domain, insolvency, code enforcement, and arrangements and proceedings involving a bankrupt or decedent, then Lender at Lender's option may make such appearances, disburse such sums and take such action as Lender deems necessary to protect Lender's interests including, but not limited to, disbursement of reasonable attorney fees and entry upon the Property to make repairs. Any amounts disbursed by Lender pursuant to this paragraph 7 shall become additional indebtedness of Borrower secured by this Deed of Trust. Unless Borrower and Lender agree to other terms of payment, such amounts shall be payable within thirty days of demand and shall bear interest from the date of disbursement at the rate stated in the Note or the highest permissible rate under applicable law, whichever is less; provided that Borrower shall have the right to repay such amounts in whole or in part at any time. Nothing contained in this paragraph 7 shall require Lender to incur any expense or do any act hereunder. Lender shall not incur liability for any act Lender may do or omit to do hereunder.

**8. Inspection.** Upon notice to Borrower, Lender may make or cause to be made reasonable entries upon and inspections of the Property.

**9. Acceleration.** Upon the occurrence of any of the following, all of the sums secured by this Deed of Trust shall be immediately due and payable at the option of Lender, without notice or demand, which Borrower hereby expressly waives:

- (a) default in payment of any sums due pursuant to paragraphs 1 and 2 hereof, which default is not cured prior to the due date of the next monthly installment, or
- (b) default in payment of any other sums secured by this Deed of Trust, or
- (c) default in the performance of any other covenant or agreement of Borrower in this Deed of Trust, or
- (d) the filing of an arrangement or a proceeding in bankruptcy by or against Borrower, initiation of insolvency proceedings by or against Borrower or assignment by Borrower for the benefit of Borrower's creditors, or
- (e) the sale or transfer of the Property, or the further encumbrance thereof, or any part thereof or interest therein, by Borrower without Lender's written consent, or
- (f) the enactment, after the date of this Deed of Trust, of any law deducting from the value of the Property for the purposes of taxation, any lien thereon, or the change in any way of existing laws or the enactment of new laws for the taxation of mortgages or debt secured by mortgage, or governing the manner of the collection of any such taxes, so as to affect this Deed of Trust.

**10. Remedies.** Upon acceleration as provided in paragraph 9 hereof, Trustee shall advertise the sale of the Property, giving customary notice of the time, place and terms of sale, and shall sell at public auction the Property in one or more parcels in such order as Trustee may determine. Trustee may postpone any advertised sale of all or any portion of the Property by announcement at the time and place of sale and in such other manner as Trustee may determine. Lender, or Lender's designee, may purchase the Property at any sale.

Trustee shall apply the proceeds of any sale in the following order:

- (a) to all costs and expenses incident to the sale, including, but not limited to, Trustee fees equal to 5 per cent of the sums secured by this Deed of Trust at the date of sale, and reasonable attorney fees;
- (b) to all sums secured by this Deed of Trust; and
- (c) the excess, if any, to the person legally entitled thereto, when established to Trustee's satisfaction, upon the delivery and surrender to the purchaser, his, her or their heirs or assigns, of possession of the Property so as aforesaid sold and conveyed, less the expense, if any, of obtaining possession.

Pursuant to such sale, Trustees shall have the power to convey the Property in fee simple, upon compliance with the terms of sale to and at the cost of the purchaser or purchasers thereof who shall not be required to see to the application of the purchase money and of the proceeds of said sale or sales.

In the event any sale is cancelled, Borrower shall pay Trustee an amount equal to one-half of the Trustee fees provided hereby. If the proceeds of the sale of the Property are insufficient to discharge all of the sums secured by this Deed of Trust and all of the costs and expenses incident to the sale, Lender shall have any other recourse provided by applicable law for the amount of the deficiency, including a motion for a deficiency decree in any action filed to foreclose this Deed of Trust. The